

CHAPTER 1

FINANCIAL ACCOUNTABILITY

The handling of money is one of the primary daily duties of the Disbursing Clerk (DK) rating. As you advance in the DK rating, you will see the handling of U.S. public monies takes place in all sections of a disbursing office and in disbursing operations of all different sizes. For the purposes of this training manual (TRAMAN), U.S. public monies are defined as those monies appropriated by Congress for use by the Navy Department.

Accountability is the guiding principle in all financial transactions involving public funds. In fact, accountability for the documentation that represents a transaction involving public funds is just as important as it is for the money itself. When a government obligation is paid, the documentation itself becomes accountable.

This chapter is intended to give you an overview of the important aspects of financial accountability, for you will use the principle of accountability throughout your career. Accountable positions are intrinsic to the DK rating. You must be aware of these positions and what they involve, since even relatively junior DKs may be assigned to accountable positions. This chapter covers the accountable positions normally associated with a disbursing office. We will look at how they are established and their various functions, duties, and controls. We will also look at the ways in which the number and types of accountable positions and their associated duties will vary according to the particular needs, location, and mission of each disbursing office. As a senior DK, you must be aware of these positions and how they will touch upon your own duties and responsibilities in any type or size of disbursing operation. Above all, you must understand how the principle of accountability is acknowledged, demonstrated, and upheld by all persons appointed to these positions. To maintain accountability, every DK must be constantly security conscious, completely aware of his or her accountable responsibilities, and possess the highest personal integrity. As a senior DK, you will be expected to demonstrate these qualities as well as train junior personnel in these areas.

ACCOUNTABLE POSITIONS

Accountable positions are associated with the handling of public funds. In fact, accountable positions are assigned only to those jobs or billets in which the members must handle public funds.

GENERAL CHARACTERISTICS

Accountable positions are intentionally limited and carefully monitored. They are intentionally limited to fix certain responsibilities on specific individuals. A person assigned to an accountable position is authorized to receive, maintain custody of, disburse, or otherwise dispose of public funds.

Accountable positions are carefully monitored. Federal law requires that a central record of all accountable positions be maintained. The Defense Finance and Accounting Service - Cleveland Center (DFAS-CL) has been assigned this responsibility for all accountable positions involved with Navy public funds.

PERSONS ASSIGNED TO ACCOUNTABLE POSITIONS

Except as otherwise specifically provided, accountable positions are normally filled by the following persons:

1. Disbursing officers (DOS) and their duly appointed
 - a. deputies and
 - b. agent cashiers
2. Officers of the Supply Corps on duty as supply officers on ships or stations and their duly appointed
 - a. imprest fund cashiers,
 - b. collection agents, and
 - c. authorized custodians
3. Officers of the Supply Corps serving as assistants to the supply officer and designated as
 - a. food service officers,

- b. retail or ship's store officers,
 - c. assistants to officers in charge of commissary stores, or
 - d. property disposal officers on accountable duty
4. Individuals appointed by commanding officers (COs) or officers in charge (OICs) as
- a. imprest fund cashiers,
 - b. collection agents, or
 - c. authorized custodians in connection with functions that are not the direct responsibility of a DO or an officer of the supply corps
5. Paying agents
6. Officers designated as supply officers or ship's store officers by COs on ships without Supply Corps officers

Specific levels of approval are required for the establishment of these positions. For example, the position of deputy requires the approval of DFAS-CL. On the other hand, the positions of agent cashier, collection agent, imprest fund cashier, authorized custodian, and paying agent are locally established and require no action or approval by, or notice to, DFAS-CL. In the following paragraphs, we will look at many of these positions, their billets, how they are filled, and their fundamental responsibilities.

NAVY DISBURSING OFFICERS

Normally, a Navy disbursing officer (DO) is either an officer of the Supply Corps or a federal civilian employee. A Navy DO may also be a senior enlisted person but only with the approval of DFAS-CL. In all cases, a DO must be a United States citizen.

Military DO Billet

When a military DO billet is approved, orders to the designated officer will specifically state that the billet to which the person is assigned is that of Navy DO. The order issuing authority must submit copies of the orders assigning or detaching military DOS directly to DFAS-CL.

Civilian DO Billet

When a Navy civilian DO position is approved, the commanding officer (CO) formally designates the

appointed civilian by a letter of appointment. A copy of this letter is forwarded to DFAS-CL for the purpose of recording the accountable position.

Overall Accountability and Liability

All DOS are held personally and pecuniarily accountable for their disbursing acts and for the legal expenditure of funds placed under their control. The term *pecunary* refers to money or things that have a monetary value.

DOS are charged with all funds received for the government. They must maintain detailed accounts and records of all transactions and are accountable for all erroneous payments and all errors in their accounts and records. Even though they may have relied on agents or assistants who caused the errors, the DOS are still accountable. That is why all disbursing personnel must make certain they maintain accurate records and perform every financial transaction according to current laws and regulations. The Navy Department and the General Accounting Office (GAO) will examine these records.

In the case of irregular, erroneous, or unsupported entries in the DO's account with the government, the GAO will withhold credit. If the DO fails to account for the receipt of any public funds, the GAO will raise a charge against the account. The GAO will remove the charge only if the Comptroller General of the United States, via the Secretary of Defense, grants relief.

Authorized Actions by Disbursing Officers

The authority of DOS to make disbursements is limited to certain authorized actions. Basically, Navy DOS are restricted to the payment of properly approved funds for the following categories:

- Civilian payrolls
- Earned pay and allowances for military personnel
- Travel expenses for military and civilian personnel on official business
- Approved bills for supplies and services purchased by or for the Navy or Marine Corps

ON AUTHORITY OF THE CO.— Usually, the DO will receive and disburse official funds when the CO gives orders (or gives authority for) for these payment actions. The CO is also responsible for promptly informing the DO of any applicable

conditions that will require the stoppage of pay or allotments.

The financial relationship between the DO and CO is usually routine, professional, and mutually accountable and supportive of the command's needs. In rare instances, however, a CO may order the DO to make a payment that the DO believes to be contrary to law or current regulations. The DO is responsible for informing the CO of these conditions. If the CO persists in the demand for payment, then the DO should formally request that the CO put the order in writing. In this way, the CO assumes full responsibility and accountability for authorizing the payment action.

Upon receipt of the written order, the DO should make the payment. All DOS should be aware that an officer cannot use a written order to authorize any type of illegal advance of public funds to a CO or any other officer.

Whenever a CO orders a DO to make a payment under protest, the CO must submit copies of all available documentation, together with the facts and circumstances surrounding the payment, to the Director, DFAS Headquarters, via the Director, DFAS-CL.

ON AUTHORITY OF THE COMPTROLLER GENERAL OF THE UNITED STATES.— DOs who make payments authorized by the Comptroller General of the United States will not be disallowed payments based on any new interpretations of the law.

Duties and Responsibilities of the Disbursing Officer

In general, DOS carry out the following typical duties and responsibilities:

- Maintain public monies in their custody without lending, using, depositing in banks, or exchanging for other funds except as prescribed by law.
- Disburse or otherwise dispose of public monies under current rules and regulations.
- Deposit excess funds without delay to the United States Treasury and only withdraw them when required for payment.
- Maintain detailed records of all transactions and submit the required periodic detailed reports. These records and reports are for accounting purposes. Representatives of the Secretary of Defense and the Comptroller General of the United States will examine them for completeness and accuracy.

- Secure and preserve the pay accounts, public monies, and other such paper and property, in the order of their importance, as circumstances permit, in case of fire, shipwreck, or other disasters.

These duties and responsibilities apply equally to the DO and to any agents officially appointed by the DO.

ADDITIONAL DUTIES.— The *Department of Defense Financial Management Regulation* (DODFMR), Volume 5, describes the additional duties and responsibilities DOS are authorized to perform.

PROHIBITED ADDITIONAL DUTIES.— Except as specifically authorized by the DODFMR, Volume 5, a DO will not be assigned the following additional duties or responsibilities:

- Acting as authority for the approval of orders
- Acting as certification officer for claims for reimbursement and contingency funds
- Acting as custodian of any fund or any other conflict of interest assignment

All DOS are prohibited from performing these duties.

AUTHORIZED ADDITIONAL DUTIES IN CERTAIN CIRCUMSTANCES.— Under certain circumstances, DOS are authorized to perform additional duties that are normally prohibited. DOS ordered to afloat units for duty as a supply officer or assistant supply officer with concurrent duty as the food service officer or ship's store officer may perform these duties. When directed by appropriate authority, a DO can also officially accept, safeguard, account for, and dispose of personal funds and valuables received for safekeeping.

Duty Assignments

A DO who activates a new disbursing office, reactivates a disbursing office that has been temporarily closed, or relieves another DO must forward a letter to DFAS-CL immediately upon starting disbursing duties. This letter must include the following information in regard to the incoming DO's duty assignment:

- Name of the activity
- Symbol number assigned
- Name and rank or grade of the (incoming) DO
- Opening date of the account

- The beginning and ending serial number of all blank Treasury checks
- Name and rank or grade of the relieved DO (if applicable)

One copy of this letter should be forwarded to the financial information processing center (FIPC) to which the financial reports and returns of the activity are officially submitted.

Normally, DOs are relieved of duty on the last day of the month. This eliminates the need for an incoming DO to submit an extra set of returns for the month. The transfer between DOs may take place at any time, however, based on operational commitments or other considerations.

Before relieving the outgoing DO, the incoming DO should examine the records and accounts that will be under his or her jurisdiction. An incoming DO who is dissatisfied with the condition of the records and accounts and feels unwilling to accept full responsibility for them may refuse the relief. Under these circumstances, the incoming DO must make a detailed report to the CO. The CO will investigate the report and make any appropriate recommendations. Usually, the transfer will take place and the CO will assume responsibility for bringing any charges against the relieved DO, as warranted by the circumstances of the case.

Two principal types of accountable assistants are assigned to a DO—the deputy DO and the agent cashier. As explained in the following paragraphs, all the rules and regulations governing the duties of the DO apply equally to these assistants.

DEPUTY DISBURSING OFFICER

A deputy to a DO is an individual appointed by the DO who acts under a formal letter of appointment executed by that DO. Any officer, senior enlisted member, or civilian employee (GS-6 or above) satisfactory to the DO may be appointed to the position of deputy DO.

Authorized Actions of Deputy

Generally, a deputy DO is authorized to perform any and all acts relating to the receipt, disbursement, custody, and accounting for public funds in the name of and for the account of the appointing DO. The appointing DO may also restrict the acts his or her deputy will be authorized to perform.

Approval Process for Deputy Positions

The establishment of all deputy DO positions must be approved by DFAS-CL. A DO who requires the services of a deputy must forward a request for the establishment of the position to DFAS-CL via the CO. Since it is undesirable from a security standpoint for excessive numbers of individuals to have access to public funds, COs must make certain only the minimum number of deputy positions is appointed.

REQUEST CONTENTS.— The request must include the following information:

- The circumstances supporting the requirement for a deputy position
- The specific location where the deputy will serve
- The number of other deputies already serving
- The specific duties to be performed by the deputy
- An estimate of the monthly amount of funds to be advanced, collected, and disbursed

ACCOMPANYING DOCUMENTATION.— The request should be accompanied by the following documentation:

- A copy of the formal letter of appointment
- Specimen Signatures, Treasury Fiscal Service (TFS) Form 3023
- Signature Card, TFS Form 5583

ACCOUNTABLE NUMBER FOR APPROVED REQUEST.— DFAS-CL will advise the CO concerning the approval or disapproval of the requested position. If the request is approved, an accountable number will be assigned to the position.

LETTER OF APPOINTMENT.— The appointing document for each deputy DO is a formal letter of appointment from the DO. The letter will detail specific duties and limitations for each position. In this letter and all other correspondence about the position, the accountable number will be referenced.

Cancellation of Appointment

A DO may revoke the appointment of a deputy at any time for any reason. When a DO is relieved from disbursing duties, the appointments of all his or her deputies are revoked. In all cases, the revocation of a deputy's appointment is by letter addressed to that

deputy. A copy of the letter is forwarded to DFAS-CL. If another individual is appointed to succeed the deputy, a copy of the formal letter of appointment and specimen signatures for the new deputy are forwarded with the copy of the revocation letter of the outgoing deputy.

AGENT CASHIER

As done for deputy DOs, the current DO appoints individual agent cashiers in writing. Unlike the position of deputy, however, the position of agent cashier is both established and approved locally by the activity's CO.

Appointment Procedures

The DO appoints an agent cashier, who acts under a formal letter of appointment by that DO.

LETTER OF APPOINTMENT.— The letter of appointment is issued in an original and two copies and must contain the following information:

- Name and rank or grade of the cashier
- Office in which the duties are to be performed
- Description of the position's specific duties and limitations
- Effective date of the appointment
- An acknowledgement of acceptance of the appointment, and the statement "I agree to hold myself accountable to the United States for all public finds received."
- A statement that the individual appointed as agent cashier has been counseled as to the pecuniary liability of the position and given written operating instructions

The agent cashier acknowledges acceptance of the position by signing the original and all copies of the letter of appointment.

DISTRIBUTION PROCESS.— The agent cashier keeps the original letter of appointment. A copy is forwarded to the office where the duties are to be performed. The final copy is returned to the appointing DO.

Duties and Responsibilities of Agent Cashier

Generally, an agent cashier's duties are similar to those of a bank teller. They usually consist of making cash payments and collections, performing

check-cashing services, and preparing financial documents. An agent cashier may also be authorized to sign his or her own official documents verifying completion of transactions that were specifically authorized by the DO.

Agent cashiers are not authorized to sign U.S. Treasury checks or depositary checks, Statements of Accountability, or other documents relating to the disbursing officer's accountability. With these exceptions, an agent cashier may be authorized to perform any duty relating to public funds in the name of and for the account of the current DO.

Duration of Appointment

Agent cashier appointments are effective only while the appointing DO continues to serve as DO of that activity. The appointment of an agent cashier may be revoked by the DO at any time. All revocations must be in writing and include the effective date of revocation.

COLLECTION AGENT

A collection agent is an individual who has been designated to perform duties relating to the collection of official funds. That includes the collection of funds held as safekeeping deposits at a point other than the disbursing office.

Appointment Procedures and Restrictions

The officer responsible for the collection of the designated official finds appoints the collection agent in writing. The appointed collection agent can be an officer, an enlisted member, or a civilian employee. Disbursing personnel, however, are not eligible for appointments as collection agents. This is because individuals appointed as collection agents are not authorized to serve concurrently in any other accountable position and shall not be charged with the handling or custody of any other funds.

The officer who appoints a collection agent will prescribe that agent's duties and will act as the agent's general supervisor. Some of the functions to which collection agents may be appointed will depend on the status of the appointing officer.

CO OR OIC.— A CO or OIC ashore may approve and establish the position of collection agent to take care of responsibilities involved with the collection of the following funds:

- Hospitalization fees and other charges at medical facilities
- Communications charges
- Rentals and other charges at housing developments
- Fees for research or reproduction of records
- Safekeeping deposits when the safekeeping function is not performed by the DO
- Similar functions when deemed appropriate by the CO

DO WITH ADDITIONAL FUNCTIONS.—

DOS with additional functions have certain restrictions, but may generally appoint collection agents to take care of funds derived from the following sources:

- Retail clothing stores
- Ship's stores
- Commissary stores
- Provisions and meals from the general mess
- Other proceeds from supply operations

A DO serving concurrently as the officer responsible for another function may establish the position and appoint a collection agent as long as the position is associated with the other function and not disbursing. In cases like these, the letter of appointment must clearly indicate that the officer making the appointment is acting as the officer responsible for the other function rather than as the DO.

Duration of Appointment

An appointment as collection agent remains in effect during the agent's service at the activity unless it is revoked by the appointing authority in writing. The requirements for the letters of appointment and revocation are the same as those for an agent cashier.

IMPREST FUND CASHIER

The *Navy Supply Acquisition Regulation Supplement*, NAVSUP P-560, designates the commands authorized to establish imprest funds.

Appointment and Revocation Process

Appointments and revocations of appointments of imprest fund cashiers are made in writing by the following officers:

- COs at inventory control centers, naval supply centers, naval supply depots, and activities with a regularly organized supply department
- COs or OICs at activities without a regularly organized supply department

The letter of appointment should follow the same guidelines as those for an agent cashier. Accountable position numbers are not required for imprest fund cashiers.

NOTE: Disbursing personnel are not eligible for appointment as imprest fund cashiers.

Designated Duties

An imprest fund cashier makes authorized payments from the activity's imprest fund for materials or services, maintains custody of the fund, and files the periodic vouchers to account for and replenish the fund. For example, the imprest fund should be replenished at least monthly by the imprest fund cashier. The cashier must file a Cashier Reimbursement Voucher and/or Accountability Report, Optional Form (OF) 1129.

PAYING AGENT

A paying agent is an officer, enlisted member, or civilian employee appointed by the CO to act as an agent of the DO.

Designated Duties

The purpose of a paying agent is to make specific payments, currency conversions, or check-cashing transactions from funds temporarily advanced to the agent by the DO. In fact, all payments or currency conversions made by a paying agent are made for and in the name of the DO. So, the paying agent is under the exclusive supervision of the DO and should comply with all instructions and regulations issued by that DO. Funds advanced to a paying agent are held at personal risk by the paying agent. These funds must be returned to the DO immediately when the transactions for which they were advanced have been completed.

Appointment Procedures and Limitations

Paying agents should only be appointed when it is not feasible for the DO, deputy, or agent cashier to perform the transactions.

CONDITIONS OF APPOINTMENT.— Paying agents should never be appointed solely as a convenience, but only under unusual conditions. An example of an unusual condition is an activity in a remote location where the use of checks is not practical but where payments or currency conversions must be made. In this situation, the DO may ask the CO of the remote activity to appoint a paying agent. Notice that the DO initiates the request. Another important condition governing any paying agent's appointment is that a paying agent will never be appointed or used by a CO over the protest of the DO.

LETTER OF APPOINTMENT.— Paying agents are appointed by letter from the CO. The appointment letter should contain the following information:

- The paying agent's name, rank or grade, social security number (SSN), and duty station
- The name, rank or grade, and station of the DO for whom the paying agent will act, and the station symbol number
- The duties and responsibilities of the paying agent
- A description of the type of payments or currency conversions to be made
- The maximum amount of funds to be advanced
- The period of time the appointment covers
- The paying agent's acknowledgement of acceptance of the appointment
- The statement "I agree to hold myself accountable to the United States for all public funds received."
- A statement that the appointed individual has been counseled as to the pecuniary liability and has been given written operating instructions

Duration of Appointment

The nature and duration of an appointment will depend on the conditions warranting the activity's need for a paying agent. For example, the appointment may be for a specific transaction, a definite period, or an indefinite period. The paying agent's designation will

continue until the appointee is transferred or relieved of duty by the appointing officer or until the DO is transferred or relieved of disbursing duty.

You have now read about some of the positions designated as accountable positions. All persons appointed to accountable positions are entrusted with the authorized use of public funds. This is why accountable positions are intentionally limited and strictly monitored. In the following section, let's talk about some of the general duties and responsibilities required of the persons assigned to these positions.

DUTIES AND RESPONSIBILITIES OF ACCOUNTABLE POSITIONS

The handling of official funds and documents places strict duties and responsibilities on individuals assigned to accountable positions. These duties and responsibilities are indirectly shared by every DK and civilian employee in a disbursing office. The accountable position may involve planning for, acquiring, obtaining, safeguarding, disbursing, transferring, transporting, depositing, or accounting for public funds. It may even involve safekeeping personal funds and valuables. Whatever it involves, you should be able to identify the essential characteristics and obligations of these positions. You should also be able to identify how they will touch upon your own duties and responsibilities as a senior DK. Accountable positions may vary, depending on the type of accountable position and the particular needs, location, and mission of the disbursing office. Yet strict observance and adherence to the duties and responsibilities involved in these positions is imperative.

AUTHORIZATION FOR AND DEFINITION OF ACCOUNTABLE POSITIONS

The duties and responsibilities of accountable positions are authorized and delineated by letters of authority and official instructions. Disbursing personnel in accountable positions must be aware of these documents and the ways in which their duties and responsibilities are officially defined and authorized.

Table 1-1 lists letters of authority and other documents, instructions, or reference sources required in the disbursing office.

Anyone appointed to an accountable position must be authorized to hold public monies at personal risk. Previously, we defined U.S. public monies as those monies appropriated by Congress for use by the Navy Department. You can see how public monies provide funds for a broad spectrum of Navy uses and obligations, including payrolls, operations, training, travel, duty assignments, benefits, supplies, and postal services. Overall, public monies fund the functions and services the Navy requires to remain operational and meet the needs of its people. But, handling public funds involves special procedures and controls, such as the use of official signatures.

OFFICIAL SIGNATURES

Official signatures must be used on all checks, vouchers, official papers, and correspondence pertaining to the DOD, GAO, and Department of the Treasury. Before starting disbursing duty, a DO and all appointed deputies must decide which of their given names or initials will make up their official signature.

Documentation

The official signature of the DO and each appointed deputy must be furnished to DFAS-CL by means of the following two completed forms:

1. Signature Card, TFS Form 5583
2. Specimen Signatures, TFS Form 3023.

Table 1-1. References for Letters of Authority Required in the Disbursing Office

REFERENCES	DOCUMENTS
DODFMR, VOL 5: 030104	Letter to hold cash at personal risk
020401	Letter commencing disbursing duty
020402	Transfer of funds, blank checks, and postal money order blanks upon relief
270403	Transfer of safekeeping deposits upon relief
130101	CO's approval of use of foreign currency
020305	Establishment of position of deputy; letter of appointment/revocation
0206-0210	Letters of appointment/revocation of agent cashiers, collection agents, custodians, paying agents, and alternates
030401	Verification of funds entrusted to deputies, agent cashiers, and other agents of the DO
270104	Appointment to hold postage stamp stock and postal funds
030201	Appointment of cash verification board
0401-0403	Authorization to cash checks, money orders, and other negotiable instruments
270102	Establishment of times that safekeeping deposits are accepted/withdrawn
OPNAVINST 5112.6A	Copy of appointment of custodian of postal effects (COPE)
NAVSUP P-560	Copy of report of inspection and verification of the imprest fund that should be forwarded to the DO (quarterly)

The signature on the TFS Form 5583 must be certified by an officer whose signature has already been recorded with DFAS-CL.

Restrictions

Although official signatures are required for DOD, GAO, and Department of the Treasury disbursing functions, certain restrictions apply to the use of official signatures, such as the following examples:

- The signature authority of a deputy may be limited.
- The signature authority of an agent cashier is limited. (The DO must designate in the letter of appointment which documents the agent cashier is authorized to sign.)
- In no case will any person be permitted to sign a United States Treasury check or a Statement of Accountability (SF 1219) for a DO unless that person is a deputy or is specifically appointed by the CO to perform the duties of the DO in case of the DO's death, unauthorized absence, or other physical or mental incapacity.
- Official signatures can only be changed upon the approval of DFAS-CL. Facsimile signatures may be used under a variety of circumstances. Therefore, always consult the DODFMR, Volume 5; the *DFAS Pay/Personnel Procedures Manual (Navy)* (DFAS-PPM); and the *Source Data System Procedures Manual* (SDSPROMAN) for specific regulations on the use and custody of facsimile signatures.

The use of official signatures provides a control in accountability of public funds because it fixes the responsibility for certain financial transactions on specific individuals. Another important way a CO or OIC can protect the financial accountability of an activity is through cash verifications.

CASH VERIFICATIONS

A cash verification is the physical count of the cash, negotiable instruments, and other assets that make up a DO's total accountability. The cash verification is a management control that, along with other controls, can be used to gauge the overall health of a disbursing operation. It is not meant to alleviate management's responsibility to direct and monitor all facets of a disbursing operation. The CO must appoint a cash verification board to carry out the cash verification procedures.

Cash Verification Board

The CO of every command where a DO is assigned (or where a deputy is attached to a branch office in another command) should appoint in writing a cash verification board.

When the DO is also the OIC of a personnel support detachment, the DO must request the CO of the host activity or a nearby activity to appoint the cash verification board. At small or remote locations, it may be desirable to have cash verification board members appointed from serviced or associated commands.

For imprest and change funds, especially those held at installations or activities other than the installation or activity of the DO, the CO who authorized the establishment of the fund and appointed the cashier or custodian is responsible for appointing the cash verification team.

MEMBERS.— The cash verification board should consist of two or more persons. These persons must not be in the DO's chain of command. Appointees may be officers, warrant officers, senior enlisted personnel, or civilian employees. At least one of these persons should have some disbursing or accounting experience. If possible, one member should be equal or senior in rank to the accountable individual.

PROCESS.— The verification of cash and all safekeeping deposits should be made on an unannounced basis at least quarterly. This process includes the verification of monies, documents, safekeeping deposits, money orders, and the postage stamp fund held by the DO and any assistants. The quarterly cash verification may be omitted for any quarter in which a cash verification was made by representatives of an area audit office or a disbursing on-site examination team. It may also be omitted when a transfer of accountability has occurred. However, if the cash verification board fails to perform its duties, the DO may insist that the quarterly verification be held.

Report of Verification

The DODFMR, Volume 5, appendix A, contains detailed information on the procedures the board should use for conducting the verification process and reporting the results.

As stated previously, the board must vary the time during each quarter when the verification process is held. To attest that a verification was held, the board must make an entry on the face of the DO's daily Statement of Accountability (DD 2657) and on the last

Record and Receipt of Deposits and Withdrawals of Safekeeping Funds (DD 2674), The DODFMR, Volume 5, gives the substance of how the entry should read.

The board must report its findings in writing to the CO, with a copy provided to the DO. This letter should advise the CO whether the official funds and documents (including the safekeeping deposits, money orders, and the postage fund, when applicable) are in agreement with the DO's records and whether the funds are in excess of the authorized amount. Each report to the CO must begin with the following statement:

The quarterly cash verification is meant only to verify that cash and other assets for which the DO is accountable agrees with the total accountability amount recorded as on-hand on the DO's daily statement of accountability. It does not certify the overall health of the disbursing office. Strong management controls exercised by the appropriate members within the chain of command are mandatory and necessary to prevent and preclude major loss or fraud.

TRANSPORTATION OF MONEY

Another responsibility associated with accountable positions is the transportation of money and other negotiable instruments. When money or vouchers are being transported, the accountable persons continue to remain liable for any mishaps that may occur to these assets. This is why whenever funds or valuable assets must be transported, the following requirements must be enforced:

- When any person leaves the ship or disbursing activity for the purpose of transporting or picking up official cash funds in excess of \$10,000, the CO and the security police must be notified. This notice is normally made through the command duty officer or other duty officer. The notice consists of reporting the time of departure, destination, estimated time of return, amount, and the source or disposition of the funds, as appropriate.

- Since safeguarding of funds is a command responsibility, the CO of the activity requesting that funds be made available must make the security provisions. The decision of whether or not to have an armed escort, how many armed guards are required, or the type of transportation to be used is all part of the requesting command's responsibility. If the person

pecuniarily liable for the funds feels that adequate security has not been provided, he or she may refuse to transport the funds.

- When circumstances warrant, such as transporting large amounts of currency or traveling through isolated or otherwise dangerous areas, one or more convoy cars with additional armed guards must accompany the DO. Any available Navy-owned armored cars should be used for this purpose. If these cars are not available, the hire of an armored car service is authorized and will be charged to the ship or station maintenance finds.

- Personnel assigned to duty as guards must be proficient in the use of firearms and must be alert and ready at all times. For this reason, guards should not be required to carry moneybags or perform other duties that would tend to reduce their effectiveness.

- Money should be procured at irregular intervals and the routes traveled should be varied whenever possible.

- When money is being transported to or from a ship at sea, the money containers must be attached to a buoy or some other reliable flotation device to mark the spot on the surface in case the transporting vehicle crashes or sinks.

- Strict adherence to these requirements will protect the transported assets as well as the accountable persons.

SAFEKEEPING OF PERSONAL FUNDS AND VALUABLES

The CO may require the establishment of a safekeeping service. This responsibility is normally assigned to the DO, but can be assigned to other accountable assistants. Although this service does not involve public funds, the responsibilities for financial accountability are just as important.

Purpose

The purpose of a safekeeping service is to provide safe custody for personal funds and valuables and for funds of morale support activities for which safe custody would not be otherwise available.

Regulations

Depending on the availability of safekeeping facilities, all deposits and withdrawals are subject to the

CO's regulations. The CO establishes the necessary and proper restrictions as to the time, place, and frequency of deposits and withdrawals and to the type of objects classified as valuables. Afloat, deposits are normally made on a one-time basis for the duration of the cruise. Deposits of valuables are usually limited to funds, negotiable instruments, and objects classified as jewelry having an intrinsic value requiring additional protection. Objects that are of value only to the owner are not eligible for safekeeping.

Documentation and Security

The DO and all accountable assistants must use the Record and Receipt of Deposits and Withdrawals of Safekeeping Funds (DD Form 2674) to record safekeeping deposits.

When more than one person is authorized to accept deposits, each accountable person must maintain the safekeeping deposits placed in his or her custody on a separate DD 2674. Safekeeping deposits are not normally commingled. Each safekeeping deposit should be placed in a separate, sealed envelope that identifies the deposit number, the name of the depositor, and the amount or description of the articles enclosed. The identical currency or articles presented by the depositor must be returned to the depositor at the time of withdrawal.

For complete details concerning the procedures for the safekeeping of deposits in cases regarding commingled funds, prisoners, or deceased, missing, or incapacitated persons, you should consult the DODFMR, Volume 5, chapter 27.

DEALING WITH IRREGULARITIES IN DISBURSING OFFICER ACCOUNTS

Irregularities in a DOS account may affect the responsibilities of several persons assigned to accountable positions. Irregularities are serious business and must always be resolved. Usually, irregularities in a DO's accounts will fall into the following basic categories:

1. Physical losses of funds, which can be further segregated into the following:
 - a. Major physical losses (any loss of \$750 or more, or any physical loss involving evidence of fraud within the accountable function)
 - b. Minor physical losses (any loss under \$750 with no fraud involved)

2. Illegal, incorrect, or improper payments

3. Overages of funds

You will read about these categories in greater detail later in this section.

Reporting Discrepancies

Now, let's talk about the specific actions that must be taken by the DO and the CO when an irregularity is suspected or found.

DISBURSING OFFICER.— A DO may know or have reason to believe that a deputy (or any other person) to whom funds have been entrusted has lost or misused (or may be misusing) those funds. In such cases, the DO must report that information to the CO who exercises immediate jurisdiction over the alleged offender. When an irregularity is suspected, the DO must immediately verify that all transactions have been properly posted since the last balancing. The DO must also perform an actual count of all cash and documents held by his or her deputies, agents, and cashiers. If the irregularity has not been resolved within 24 hours of discovery, the DO is required to report the irregularity to the CO and request an immediate audit of all disbursing assets by the cash verification board or team to confirm that the irregularity has occurred. The CO will be informed immediately in writing of the cash verification team's findings.

COMMANDING OFFICER.— For irregularities other than a minor physical loss, an erroneous payment, or an overage, the CO is responsible for reporting the irregularity through the chain of command to DFAS-CL. If a report is required, it will not be classified or made in message form unless unusual circumstances exist. The CO's report to DFAS-CL must include the following information:

- The specific type of irregularity
- All known circumstances (including the date the irregularity occurred or was discovered)
- The dollar amount
- The identity of the accountable individual(s) by name, rank or grade, and accountable position
- The type of investigation that has been or will be convened
- The estimated completion date of the investigation, if applicable

- The status of any recovery action in process or contemplated

When an investigating officer is required, the CO is responsible for making the appointment. If the CO is not authorized to convene an investigation, he or she must request an investigation through the chain of command. The investigating officer must not be in the DO's chain of command. Whenever possible, a disinterested DO should be appointed as the investigating officer. Investigating officers should be commissioned officers in the rank of O-4 or above, or civilian employees in grades GS-12 or above, and if practical, senior in rank to the DO under investigation. The investigating officer should be familiar with investigative techniques and have a knowledge of the required internal controls, pertinent laws, and directives. If the investigative officer does not meet these requirements, technical guidance should be requested from the staff judge advocate or other appropriate sources. The required procedures and findings are detailed in the DODFMR, Volume 5, chapter 06.

Identifying, Documenting, Tracking, and Accounting for Irregularities

Previously, you read that financial irregularities in a DO's account usually occur in three general areas: physical losses (either major or minor) of funds; illegal, improper, or incorrect payments; and overages of funds. Now, let's look at each of these areas and the steps that should be taken by those in accountable positions to monitor, control, and identify these irregularities.

SUBSIDIARY ACCOUNTABILITY RECORDS.— The DO always has primary responsibility for identifying, tracking, and accounting for irregularities. Using the DD Form 2667, Subsidiary Accountability Record, allows the DO to maintain a record of all physical losses or overages of funds. Separate DD 2667s should be maintained for physical losses; separate DD 2667s should be maintained for overages. The DD 2667 maintained for a loss must be reconciled with the DD 2657 daily and filed as a subsidiary record supporting the DD 2657. If more than one physical loss or overage occurs in a single day (because of the use of more than one deputy, agent, or cashier), each loss or overage must be accounted for individually.

PHYSICAL LOSSES OF FUNDS.— Physical losses of funds are divided into two categories: major

and minor. In dealing with a physical loss of funds, the first step is to determine the extent of the loss.

Major.— As previously stated, a major physical loss is a loss of \$750 or more. It includes losses of public funds, records, or papers as a result of fire, flood, earthquake, action by hostile force, airplane crash, shipwreck, or explosion. It includes other losses not covered by the Government Losses in Shipment Act, unexplained losses, and other similar occurrences. Any losses of \$750 or more resulting from wrongful conduct, such as theft, robbery, and burglary, are major physical losses. Losses resulting from embezzlement or fraudulent acts of disbursing personnel, acting alone or in collusion with others, are treated as major physical losses regardless of the amount involved. For all major losses, an investigative officer must be appointed to hold the appropriate type of investigation.

Minor.— Minor physical losses are those under \$750 when there is no fraud involved. The DO is pecuniarily liable for all minor losses that occur in his or her account, but may request relief of liability for minor losses by submitting a quarterly minor loss report to DFAS-CL. Unless an indication of fraud exists, the CO is not required to report a minor loss of funds through the chain of command to DFAS-CL. The DO, however, must notify the CO in writing whenever a minor loss of funds occurs.

All minor losses over \$25 included on the quarterly report must be supported by a separate investigative report prepared by someone outside the disbursing office. Investigative comments associated with a minor loss of \$25 or less must be made by the DO and submitted in support of the associated items on the quarterly report. If a loss of \$25 or less is attributable to the DO, the deputy will conduct the investigation and prepare a written investigative report. Under no circumstances will the individual incurring the loss prepare his or her own investigative report.

ILLEGAL, INCORRECT, OR IMPROPER PAYMENT LOSSES.— Illegal, incorrect, or improper (erroneous) payment deficiencies may result from a number of causes, such as the following situations:

- Overpayment of a payee
- Two or more payments to the same payee for the same entitlement
- Payment to the wrong payee
- U.S. Treasury check overdrafts

- Negotiation of both the original and a recertified U.S. Treasury check
- Any payment based on forged, fraudulent, or altered documents prepared or presented by individuals who do not work in the disbursing office
- Any payment in violation of a regulation

Accounting for Erroneous Payments.— In most cases, an erroneous payment will be charged to a valid appropriation via a disbursement voucher and the payment will likely have already been made. If an erroneous payment is recouped or collected from the individual held liable for the payment, the appropriation originally charged is credited for the amount recouped or collected. If no recoupment or collection is made, or if relief for liability is granted, the appropriation charged remains as if it were valid.

Reporting Erroneous Payments.— The DO must report all erroneous payments to the CO. In addition, the DO must take aggressive action to recoup the amount of an erroneous payment from the recipient. If recoupment is not made within 90 days of continuous aggressive collection action, the case file shall be submitted to DFAS-CL for further collection action. The DO may also submit a request for relief of liability through the CO and the chain of command. The CO is normally not required to make a separate or special report.

Investigation of Erroneous Payments.— A formal investigation of erroneous payments is not mandatory unless fraud (on the part of the payee or disbursing office personnel) is suspected in connection with the payment. The CO, however, may decide an investigation is necessary. In this case, an investigation will be made by an investigating officer to gather additional information and determine responsibility.

If no formal investigation is to be conducted, investigatory comments similar to those required for minor physical losses over \$25 are required. The report must outline the facts concerning the payment and the reason(s) no formal investigation is considered necessary. It should state whether relief of liability is recommended for the DO (or any other accountable individual) and whether a request for relief is being submitted.

OVERAGES OF PUBLIC FUNDS.— Overages of funds are handled much more easily than shortages. No investigation of an overage is required unless fraud or another criminal act is indicated.

Accounting for Overages.— DLsbing personnel handling overages should not offset any overage of funds against a physical loss of funds, unless these categories obviously relate and the relationship can be documented. An obvious relationship can usually be determined if, for example, foreign currency on hand is short and U.S. currency on hand is over by an equivalent amount (a shortage of \$597.32 against an overage of \$597.32). To be able to offset in this manner, the shortage and overage must have occurred on the same business day.

Accounts Involved.— Generally, an overage of funds will be collected in Deposit Fund Account 17X6875, pending a determination of where the overage belongs. If no proper location for the overage is determined, the overage will be transferred from 17X6875 to Treasury Miscellaneous Receipt Account 17R1060.

Tracking and Documentation.—Overages are tracked by using a separate DD 2667 maintained specifically for overages. A new DD 2667 should be started quarterly. A copy of the DD 2667 should be forwarded under a covering transmittal letter to DFAS-CL no later than the fifth workday following the end of the calendar quarter or the fifth workday after the date of relief of the DO. If the report is being submitted because of relief from disbursing duty, the transmittal letter must contain the statement: “Submitted due to the relief of the disbursing officer effective (enter date of relief).”

Requesting Relief of Liability

When any disbursing official of the government has incurred an irregularity as a result of a physical loss of funds or an illegal, incorrect, or improper payment, that official may be granted relief of liability for the irregularity under the provisions of 31 U.S.C. 3527.

AUTHORITY TO GRANT RELIEF.— The Comptroller General of the United States has ruled that the term “disbursing official” applies to all personnel in the DOD, whether military or civilian, to whom public funds are entrusted for the purpose of making disbursements. While the ultimate authority to grant relief rests with the Comptroller General, the decision to grant relief has been delegated to different levels depending on the circumstances. In the following paragraphs, you will read how this process of delegation works in various cases involving requests for relief of liability.

Physical Loss.— For relief of liability of an accountable person for a physical loss of funds, vouchers, or records, the following rules apply:

- The Secretary of Defense must determine that the official was carrying out official duties when the loss occurred.
- The loss must not have been the result of an illegal, incorrect, or improper payment.
- The loss must not have been the result of fault or negligence by the official.

The finding of the Secretary of Defense is binding on the Comptroller General. In all cases of physical loss by disbursing officials, the Secretary of Defense is the relief authority, regardless of the amount of the loss. However, the Secretary of Defense has delegated this authority to the Director, DFAS. The Director, DFAS, acts for the Secretary of Defense to make the required determinations and grant or deny relief for all requests submitted under the provisions of the DODFMR, Volume 5. In turn, the Director, DFAS, has delegated this authority to the Director, DFAS-CL, for Department of the Navy personnel. Therefore, any accountable person associated with a physical loss in a Navy DO's account may request relief from the Director, DFAS-CL. To qualify for relief, however, the accountable person must not have been faulty or negligent in executing his or her duties. In addition, the loss must not have resulted in an illegal, improper, or incorrect payment.

Illegal, Incorrect, or Improper Payment.— In the case of a liability resulting from an illegal, incorrect, or improper payment, the Comptroller General may grant relief to a disbursing official. But first a determination must be made that the official did not act in bad faith or show lack of reasonable care in making the payment. However, if it is determined that the accountable official failed to pursue diligent collection action according to prescribed procedures, relief may be denied.

Except in certain circumstances, the Comptroller General is the relief authority for cases involving illegal, improper, or incorrect payments. Although the Comptroller General acts on his or her own initiative or upon a written recommendation of the Secretary of Defense, he or she still independently determines whether relief should be granted. In turn, the Secretary of Defense has delegated the authority to make the required recommendations on all requests for relief of liability for illegal, improper, or incorrect payments to the Director, DFAS. The Director, DFAS, has further

delegated this authority to the Director, DFAS-CL, to act for Department of the Navy personnel.

When the illegal, improper, or incorrect payment is a result of a double payment or overpayment of \$3,000 or less, the authority to grant relief has been delegated to the Secretary of Defense. The overpayments covered by this provision must result from a mechanical or clerical error during the check-issue process. The double payments must have resulted from the issuance of a second check (recertified payment) to a payee based on the payee's statement that the original check had been lost, stolen, or not received. These irregularities can occur when the original check (along with its replacement/recertified check) is negotiated by the payee, or when checks are issued in incorrect amounts as a result of inadvertent clerical error. The final authority to grant relief in these cases has been delegated down to the level of Director, DFAS-CL, for Navy personnel.

In any case, when relief of liability would not be appropriate, when doubt exists about the application of statutory relief standards, and when the amount involved is over \$3,000, the case will be referred to the Comptroller General for resolution.

PROCEDURES FOR REQUESTING RELIEF FROM LIABILITY.— Except for minor losses, as previously discussed, requests for relief of liability normally will be made by the accountable individual. When the accountable individual is a deputy or cashier, he or she should submit the request through the accountable DO.

Generally, the request should be submitted within 30 days after the loss has occurred. If an investigating officer has been appointed, a copy of the investigation report will be included as an attachment to the request for relief.

Letter.— A request for relief of liability should be in the form of a letter from the accountable individual. For physical losses, the letter requesting relief will be addressed to DFAS-CL through the accountable DO and the requestor's chain of command. The letter and all forwarding endorsements will provide a complete report of the circumstances resulting in the deficiency and a reference to the findings of any fact-finding body, report of investigation, or other proceedings. For illegal, incorrect, or improper payments, the letter requesting relief will be addressed to the Office of the General Counsel, U.S. General Accounting Office, and routed through the requestor's chain of command and DFAS-CL.

Information Required.— Regardless of whether an investigation was conducted, specific information is necessary to provide a complete report of the circumstances resulting in the irregularity. When an irregularity occurs in a DO's account, there is a presumption of fault or negligence on the part of the accountable person. It is the responsibility of the person requesting relief to dispel any doubt that the irregularity was not the result of any fault or negligence on his or her part.

When not supplied in the findings of any court of inquiry, board of investigation, court-martial, or other proceeding, certain required information (including the endorsements) must be supplied and considered in the request for relief, as appropriate. Failure to provide all the required information could contribute to an unfavorable decision on the request. The accountable person requesting relief of liability should furnish the following documentation:

- The specific duty assignment of the accountable individual when the irregularity occurred.
- A statement showing when, how, and by whom the irregularity was discovered,
- A description of the action taken to verify the irregularity and establish how it occurred.
- A statement of when the last cash count and balancing was effected prior to the discovery of the irregularity.
- The prevailing circumstances when the irregularity occurred. (Prevailing circumstances could include the volume of money handled, volume of transactions performed, number of personnel involved, complexity of the transactions, actual operating conditions, and whether a shortage of disbursing personnel existed.)
- A copy of the appropriate standard operating procedures in effect at the time the irregularity occurred. (If no written procedures are available, a statement must be provided setting forth the known and used procedures followed at the time the irregularity occurred.)
- A statement indicating whether pertinent regulations and instructions were followed. (Or, if they were not followed, an explanation and justification for any omissions or deviations.)

- A statement of past involvement, if any, by the individual requesting relief in any prior irregularities.
- A statement indicating whether theft or other criminal acts may have been involved.
- A description of the manner in which the irregularity is being carried in the DO's account and the identity of the DO.

Endorsements Required.— Each addressee in the requestor's chain of command must provide a forwarding statement. (The chain of command includes the accountable DO when the requestor is a deputy, agent, or other accountable person under the jurisdiction of the current, accountable DO.) This endorsement should include a specific opinion as to whether the irregularity occurred while the accountable individual was in the line of duty. It should also contain a specific opinion about whether the individual was without fault or negligence in the matter. The endorsement should provide a specific recommendation as to whether relief should be granted.

REVIEW PROCESS FOR RELIEF OF RESPONSIBILITY.— Upon receipt of the request for relief, DFAS-CL will review it. The DFAS-CL will review all endorsements and the report of investigation for such things as completeness, validity, and acceptance. If the request or endorsements are not considered adequate, further information will be requested. Relief of liability will not be granted or denied without review and coordination of the Office of General Counsel at DFAS-CL.

Relief Granted.— If relief is granted, DFAS-CL will provide a letter of instruction for removal of the deficiency from the DO's account.

Relief Denied.— If relief is denied, the CO will be directed to take immediate collection action against the accountable individual. Procedures for effecting collection of irregularities and processing and accounting for the collection are prescribed in the DODFMR, Volume 5.

DEALING WITH THE ABSENCE OR INCAPACITY OF A DISBURSING OFFICER OR A DEPUTY AT A BRANCH DISBURSING OFFICE

When a DO dies, is incapacitated, or is removed from disbursing duty for cause (including unauthorized absence), the CO must take the following actions:

- Take possession of all disbursing spaces, keys, and property, and seal the safe(s).

- Appoint a board of at least three disinterested but qualified officers to inventory the vouchers, funds, and property on hand.

- Appoint a suitable person to act as custodian of the vouchers, funds, and property; or take charge of the vouchers, funds, and property involved and perform the duties of the DO.

- Notify DFAS-CL by message of all actions taken and provide an information copy to DFAS-Headquarters and the applicable FIPC receiving the financial reports.

The CO can authorize a deputy to continue to disburse the accounts under the name of the absent DO for a period of time up through the last day of the second month following the month of absence. During this period, the deputy—not the DO—will be responsible for all acts performed under this authority. Whether it is a deputy or another accountable person appointed by the CO to act for the absent DO, the acting accountable DO is also responsible for rendering the reports and returns in the same manner that was required of the person he or she was appointed to replace. The returns of an acting accountable DO must not be merged either with those of the relieved DO or with those submitted by the regular relief after the regular relief assumes duties.

Sometimes, a deputy will be located at a different activity. A common example is when a deputy is assigned to a branch located on an activity different from that of his or her DO. The CO of the activity where the deputy is assigned must immediately notify the accountable DO of the deputy's absence in cases of emergency. Such cases include death, incapacity, unauthorized absence, or arrest. If practical, the accountable DO, in the presence of a competent witness, should inventory the vouchers, funds, and property involved. If that is not practical, the accountable DO should request the appointment of a board to take the inventory and a suitable person to take custody until he or she can perform the inventory. The request should be made to the CO of the activity at which the branch is located.

DISPOSITION OF RETAINED DISBURSING RECORDS UPON DETACHMENT OF A DISBURSING OFFICER

When a DO detaches, copies of returns and vouchers, books, records, and any other associated

papers (located ashore or afloat) should be retained as government property. They should be readily accessible to the acting or incoming DO or a duly authorized settlement officer.

As a senior DK, you may encounter some of the responsibilities for these records. Therefore, you need to know the specific procedures to follow for the storage and disposition of retained disbursing records when a DO is detached from disbursing duty.

General Storage and Disposition Requirements

Generally, unclassified records will require no special security precautions and can be stored in regular open files or cabinets. Retained records should be destroyed when they are 1 year old. When a DO is relieved by another DO, the retained records should be left in the custody of the relieving officer for settlement action.

Procedures for Ashore Units

At an ashore activity, retained records less than 1 year old will be transferred to the relieving DO as a part of the relief process. When the records are 1 year old, the relieving DO will destroy them. When a disbursing office is being deactivated, the retained records should be packaged and mailed to the office designated to settle the accounts. When the records are 1 year old, the designated settlement office will destroy them.

Procedures for Afloat Units

Since afloat units have very limited storage space, their procedures are different. When a DO afloat is relieved of duty by another DO, the relieving officer will retain the relieved officer's retained records for a period of 90 days from the date of relief. After the 90-day period, the retained records of the relieved officer will be packaged and forwarded to the appropriate FIPC. The FIPC will retain the records until the expiration of the 1-year retention period.

If the afloat unit is deployed, the retained records will not be forwarded until it returns to its home port and the 90-day retention period is met. If the DO is detached without relief because of deactivation of the office or decommissioning of the ship, the retained records will be forwarded to the appropriate FIPC. The FIPC will destroy them when they are 1 year old. The DODFMR, Volume 5, chapter 19, gives the required groupings for the storage of records of afloat units.

Procedures for Requesting Forwarded or Destroyed Records

If the need arises for records that have previously been shipped or destroyed, requests should be made by letter to the cognizant FIPC.

POSTAL FUNDS

Aboard ship and at many overseas commands, the DO may become involved in Navy postal operations. The CO may designate the DO, by letter, to act as the verifying official for daily money order reports. The CO may also designate the DO as the reserve custodian for blank money order forms and postage stamp funds (stock and cash). The *DOD Postal Manual*, Volume 1, contains instructions for the handling of stamp stock and money orders. It prescribes the designation of reserve custodians at activities operating Navy post Offices.

Since the DO and the accountable assistants are directly involved with the command's postal operations, we will briefly discuss some of the more important regulations and procedures relating to these duties. As a senior DK, you should be aware of these procedures. Keep in mind that any stamp stock, money order forms or funds, or any other negotiable instruments used in postal operations represent cash. This makes accountability imperative.

MONEY ORDER SERVICE

The DO may become involved in three areas of the money order service:

1. Custody and control of money order forms
2. Custody and control of money order funds
3. Auditing of money order accounts

Money Order Forms

For a DO to be authorized to handle money orders, formal designation must be made in writing by the CO appointing the DO to act as reserve custodian. As previously mentioned, a DO who is designated as reserve custodian must comply with the *DOD Postal Manual* in regard to the custody, control, and distribution of blank money order forms.

SECURITY.— Blank money order forms must be stored in a three-number combination safe or an equally secure storage area. The DO should be the only person to have access to this container.

CONTROL.— The DO uses the Money Order Control Record, DD Form 885, as a daily control document. Each day, the DO indicates on the DD Form 885 the expected number of money orders to be sold during that day's money order service. The money order clerk signs the DD Form 885 accepting custody for the specific number of money orders indicated on the form. After the close of the money order service for that day, the money order clerk must return the unused money orders to the DO. Then, the DO must verify and sign for the returned money orders on the DD Form 885. There is no exception to this requirement.

Money Order Funds

Just as for blank money orders, there are equally strict rules for the custody, handling, control, and security of monies derived from the sale of money orders. The following list contains two of the most important rules and their associated guidelines:

1. No change funds should be advanced to the money order clerk.
2. All monies collected from the sale of money orders must be turned in to the DO daily. The following two conditions and rules also apply:
 - a. If the amount from money order sales is \$100 or more, the DO must issue an exchange-for-cash-remittance check payable to the DO, U.S. Postal Service. This check will accompany the Military Post Office Report of Money Order Business, PS Form 6019-MPO.
 - b. If the amount from money order sales is less than \$100, the money may be accepted as a safekeeping deposit or issued as a check, whichever is more convenient.

Money Order Accounts

When designated as the auditing officer, the DO must audit and verify the money order funds and the Military Post Office Report of Money Order Business, PS Form 6019-MPO, each day.

AUTHORIZED PROCEDURES IN DOD POSTAL MANUAL.— The DO must use the auditing and verification procedures set forth in the *DOD Postal Manual*. These procedures will help the DO avoid some of the more common discrepancies.

COMMON MISTAKES AND DISCREPANCIES.— The following discrepancies are routinely uncovered by area audit teams:

- Independent adding machine tapes for money orders and fees were not prepared by the DO. (In addition to preparing independent adding machine tapes for money orders and fees, the DO should sign both tapes and attach them to the retained copy of the PS Form 6019-MPO.)
- The exchange-for-cash-remittance check number was not shown on the PS Form 6019-MPO.
- The PS Form 6019-MPO was not stamped by the postal clerk with the all-purpose date stamp.
- The original and all copies of the PS Form 6019-MPO were not signed by both the DO and the money order clerk.
- These common discrepancies can be avoided by use of correct procedures and attention to detail.

POSTAGE STAMP STOCK AND FUNDS

When designated as the reserve custodian, the DO will maintain custody of excess postage stamps and funds. The term *excess postage stamps and funds* refers to any amount greater than the specific amount the custodian of postal effects (COPE) is authorized to maintain in custody. The excess stamps and funds are received and handled as a safekeeping deposit from the COPE. This deposit must be identified as a “Postage Stamp Fund.” Stamps are issued to the COPE in exchange for funds derived from the sale of stamps.

When the replenishment of stamps is required, postage stamp funds must be converted to an exchange-for-cash check payable to the accountable postmaster for transmission with the stamp requisition. A signed copy of the Stamp Requisition, PS Form 17, must be filed with the postage stamp fund safekeeping deposit. Upon receipt and verification of the stamps requisitioned, the retained copy of the stamp requisition will be returned to the COPE for the post office files. The postage stamp funds must not be commingled with any other safekeeping deposit or other funds, including money order funds, that are retained in the custody of the DO!

UNITED STATES PUBLIC MONIES

At the beginning of this chapter, we defined public funds as those monies appropriated by Congress for use

by the Navy Department. In this section, we will discuss the requirements for handling United States public monies. Unless otherwise indicated, all references we mention in this section are contained in the DODFMR, Volume 5. Throughout this section, we will refer to this publication simply as Volume 5.

In the following paragraphs, you will read about some of the special requirements for handling U.S. public monies. As described in Volume 5, persons appointed to accountable positions and their supervisors must be aware of these requirements. In our previous discussions of accountable positions, we touched upon some of these requirements. In this section, we will look a little closer at the special conditions involved when accountable persons receive the authority to hold money at personal risk and carry out their responsibilities in handling public funds

AUTHORITY TO HOLD MONEY AT PERSONAL RISK

The authority to hold money at personal risk is not automatic—it must be requested and approved. The approving authority is the CO or OIC of the activity to which the DO, deputies, and agents are permanently assigned.

Authorization Process

To make sure good cash management procedures are in effect, the CO or OIC must review each request. The review must ensure each request is in line with the total nonpayroll requirements for the activity. Cash for payrolls is, in fact, held at personal risk. However, scheduled payday cash requirements (including amounts needed to cash payday checks) should not be included in a request for authority to hold money at personal risk.

The CO or OIC is responsible for making sure the amount of the request is within the guidelines established by Volume 5. The CO or OIC also must make sure management controls exist to guarantee routine reviews of cash requirements.

Request

A new request to hold cash at personal risk must be submitted at least semiannually, or whenever it is required as a result of the periodic review of cash requirements. A new request must be submitted in time to allow sufficient approval time for the authority to hold cash at personal risk to become

effective on 01 October and 01 April of the fiscal year. The request must be in writing and must contain the specific, required information set forth in Volume 5. The request must include the amount to be held by the DO and the amount to be held by the deputies and the agent cashiers in the main disbursing office.

The requests by deputies, agents, and alternate agents must be forwarded via the DO. When a deputy or agent is not under the same command as the DO, the request must also be routed via the deputy or agent's CO or OIC. Approval will be indicated by appropriate endorsement and the original request will be returned to the DO, deputy, or agent for retention.

DETERMINATION OF CASH REQUIREMENTS

All DOS must compute their average daily cash requirements. Normally, a DO does this by subtracting daily cash collections from daily cash disbursements over a representative period of time and averaging the results. If daily replenishment is feasible, no other computation by the DO is necessary. Otherwise, the DO should compute the requirement based on the source and availability of funds.

Basic Criteria for Average Daily Cash Requirements

Table 1-2 shows the criteria a DO should use for determining cash requirements.

Special Requirements for Increases

At times, special circumstances will require DOS to increase their cash holdings beyond the amounts indicated in this table. In these cases, the circumstances and duration of the need for increased cash must be detailed in a request for approval to increase cash held at personal risk.

Special Requirements for Afloat Units

Afloat DOS may have additional circumstances associated with extended underway operations and overseas deployments. In these situations, the normal rules may not apply. After a cash requirements determination has been made, a temporary (not over 30 days) request to hold the additional cash at personal risk may be submitted to the CO for approval. If circumstances are expected to exceed 30 days or become permanent, a new request will be forwarded to stay in effect until conditions change.

SAFEGUARDING OF FUNDS

Access to public monies and related instruments and documents must be restricted. This is one of the reasons for limiting accountable positions. Other reasons are based on security and sound accounting procedures. In the safeguarding of funds, both the CO and the DO will have specific responsibilities.

Commanding Officer

The CO is responsible for providing every individual entrusted with public funds a safe or some other adequate secure storage facility. The storage

Table 1-2.—Determination of Cash Requirements

IF SOURCE OF FUNDS IS:	AND WEEKLY REQUIREMENTS ARE:	THEN HOLD CASH TO OPERATE FOR:
Reasonably close (not more than 24 hours required to obtain cash)	\$500 or less	4 weeks
	Over \$500 and less than \$5,000	2 weeks
	Over \$5,000 and less than \$100,000	1 week
	Over \$100,000	3 days
Not reasonably close (more than 24 hours required to obtain cash)	\$2,500 or less	4 weeks
	Over \$2,500 and less than \$50,000	2 weeks
	Over \$50,000	1 week
Remote	\$50,000 or less	4 weeks
	Over \$50,000	2 weeks

facility is for the exclusive use and accessibility of that individual. The CO is also responsible for developing a security program and issuing it in the form of a command instruction or notice. This program must provide adequate security for the maximum amount of funds and related instruments that will be on hand at any given time. The security program must also cover the protection of personnel, including provisions for armed guards when they are required.

Disbursing Officer

The DO is responsible for monitoring the effectiveness of the security program. This broad responsibility includes making sure the following requirements are met:

- Vaults and safes are not accessible to unauthorized personnel.

- Cash is not held in excess of the amount required and authorized.

- Windows and doors are limited and locked at all times outside of business hours.

- Access to the working area is limited and conspicuously marked Authorized Personnel Only. Transactions should be conducted from a cage, room, or counter enclosure, constructed in a manner that will prevent a physical barrier to normal traffic and a minimum of interference by other activities and personnel in the office.

- Security devices for the check-signing machines, meters, and plates are kept in the custody of the DO or an authorized deputy at all times.

- Internal office procedures are established to provide adequate controls on all undelivered and returned checks. Responsibility for receipt, holding, and final distribution of checks will be assigned in writing.

- The CO is advised of any security shortfalls or breaches.

- DFAS-CL is informed of any request for adequate safeguarding facilities that has been denied.

- Oral and written instructions are provided to all deputies, agents, and cashiers regarding the proper care and handling of cash and other accountable instruments. (The DO should maintain an affidavit from each accountable individual attesting to the receipt of these instructions.)

- All cash and related documents are kept in containers that meet the requirements set forth in the DODFMR, Volume 5.

- All fund containers aboard ship and fund containers ashore that are either on rollers or weigh less than 750 pounds are secured in such a way as to prevent movement.

- Containers that are visible to the exterior of the office where security patrols pass are properly illuminated. This requirement is mandatory in all cases afloat.

- The combinations to all safes and containers are changed at least every 6 months and upon relief, transfer, separation, or discharge of the accountable individual. Each combination is known only to the responsible individual. A signed and dated record is kept of all combination changes.

- The dial to each container is covered by a shield to limit the possibility of the combination being observed.

- The name and phone number of the individual responsible for each container are posted on the inside of that container.

- Keys to the workspace or disbursing office are strictly controlled and a written record is maintained to identify the persons to whom keys were issued and the times when keys were both issued and surrendered.

- All security equipment is tested every 6 months for proper operation and a record of the tests is maintained.

As indicated by these requirements, the DO's overall responsibility for security is directly related to the routines of business.

TRANSFER OF FUNDS

Occasionally, DOS are required to transfer funds in their possession.

From One DOD Disbursing Officer to Another

If the transfer is simply to another DOD DO, the normal exchange-for-cash procedures are followed. Under other circumstances, however, the requirements will be different.

Upon Relief of a Disbursing Officer

Upon the relief of a DO, all funds-including those in the hands of deputies and other accountable assistants-must be transferred to the relieving DO. A certificate of transfer should be furnished on the bottom of the final Statement of Accountability, SF 1219, of the officer relieved. The certificate shall read as follows:

I have received on (date) by transfer from officer relieved, (total amount) an analysis of which is included in Sections I-B and I-C above.

(Signature and rank of relieving officer).

In addition to the normal distribution requirements, two extra copies of the SF 1219 must be prepared. One copy will be filed with the retained records of the relieving officer the other copy will be retained by the officer being relieved as a receipt for the funds transferred. The original and all copies of the SF 1219 must be signed by both the officer relieved and the relieving officer.

DEPOSIT OF EXCESS FUNDS

Funds received by DOs that are not currently required for disbursing operations, including all checks and other negotiable instruments, are considered to be excess funds. Excess funds must be deposited for credit to the Department of the Treasury. Excess funds in the form of checks, drafts, and money orders payable in U.S. dollars must be deposited to the account of the Department of the Treasury with a Federal Reserve bank (FRB) or branch or with a designated general depository.

Other requirements for the deposit of excess funds will vary, depending on whether the disbursing operation is ashore or afloat and located in a U.S. or foreign territory.

Shore Stations

For a shore station, deposits must be made on a daily basis whenever the amount is \$1,000 or more. If the amount is less than \$1,000, the funds may be held until the amount reaches or exceeds \$1,000. In all cases, however, funds must be deposited by the last banking day of each week, regardless of the amount accumulated. The DOs of units located in the 50 United States must deposit U.S. Treasury checks in the sum of \$5,000 or more with the nearest FRB or branch. DOs located outside the 50 United States should deposit all checks or excess funds with the general depository they normally use.

Ships Afloat

For the deposit of excess funds, the requirements for DOs assigned to afloat units are slightly different from those for DOs assigned to shore units. They even differ according to whether the ship is in port or at sea.

SHIPS AT SEA.— When daily mail service is not available, the DO of a ship at sea may accumulate up to \$5,000 in receipts before depositing them. (The receipts must consist only of personal checks, money orders, and other non-Treasury negotiable instruments.) However, a deposit of all receipts on hand must be made at least once each week. (Note: This exception covering accumulated deposits up to \$5,000 in receipts does not apply to U.S. Treasury checks.)

The DO prepares the deposits for mailing via registered mail and delivers them to the post office on board. All deposits must be mailed to an FRB or a branch. This means negotiable instruments to be deposited are not to be held in the DO's accountability pending the ship's arrival at the next scheduled port of call. The DO must make a deposit on the last regular business day before the ship leaves port and the first regular business day after the ship returns to port for any at-sea period in excess of 1 week. These deposits are required regardless of the total amount involved, the time interval since the last deposit, and the type of checks and negotiable instruments on hand.

SHIPS IN U.S. PORTS.— For ships in U.S. ports, deposits of excess funds must be either delivered in person or sent via registered mail to the nearest FRB. Deposits must be made when receipts accumulate to \$1,000 as prescribed for shore stations.

Deposit Procedures

All negotiable instruments must be endorsed before deposit. The endorsement will depend on where the deposit is being made. Deposits to an FRB or a branch must have a 9-digit Ca\$h-Link Identification Number (CIN), which is specific to each disbursing office. The date will be the date of the bank's business date on which the deposit is made. Figures 1-1 and 1-2 show sample endorsements.

(9-digit CIN) For Credit to the U.S. Treasury Date

Figure 1-1.-Sample endorsement for an FRB or branch.

U.S. Navy DSSN 1234
For Credit to the
U.S. Treasury
Date

Figure 1-2. Sample endorsement for a general depositary.

Checks deposited need not be sorted, but they should be accompanied by an adding machine tape or other listing showing the amount of each check and the total amount of the deposit.

Deposit Tickets

All deposits must be accompanied by a Deposit Ticket, SF 215, prepared by the depositor. Separate deposit tickets are required for cash and checks. Table 1-3 shows the proper distribution of this form.

Deposit Records

Unfortunately, a negotiable instrument or even a group of these instruments may occasionally get lost in the mail. They may even get lost after a deposit has been made! To identify the drawer and endorser and to effect replacement, the disbursing unit should maintain a record of each instrument deposited. This record may be maintained on microfilm or by photocopies. Regardless of the method used, the front and back of each instrument must be copied.

When microfilming or photocopying facilities are not available, the record will be a typed or written list containing the following information:

- Source of the instrument
- Name of the financial institution on which the instrument is drawn
- Type of instrument
- Serial number of the instrument
- Payee
- Maker
- Date drawn
- Amount

Debit Vouchers

When a bank has a valid charge against a disbursing symbol number (such as in the case of a returned check), a Debit Voucher, SF 5515, is issued. This acts as a negative deposit and requires the DO to make the adjustment on his or her current month's financial returns. The necessary actions for recording and clearing these transactions are contained in the DODFMR, Volume 5.

Schedule of Deposit Activity

All DOs are required to prepare and submit a schedule of deposit activity in connection with their

Table 1-3.—Distribution of Standard Form 215

COPIES PREPARED	NAME OF REQUIRED COPY	ORIGINAL DISPOSITION	FINAL DISPOSITION
Original	Original	To depositary with deposit	Depositary forwards to Department of the Treasury.
Duplicate	Memorandum	DO retains when deposit is presented or mailed	Submitted with monthly financial returns unless confirmed copy is received in the same month.
Triplicate	Depositary	To depositary with deposit	Depositary retains.
Quadruplicate	Agency	DO retains	After receiving confirmed copy, DO transcribes the date confirmed and includes in retained returns.
Quintuplicate	Confirmed	To depositary with deposit	Submitted with the financial returns in the month received.

financial returns. The primary purpose of the schedule is to report the detailed deposit transactions included on the SF 1219, Statement of Accountability. The schedule also serves as a transmittal for deposit documents and provides a detailed listing of those that remain unconfirmed.

It is imperative that the DO take follow-up action whenever a confirmation copy of a deposit is not received from the depositary in reasonable time. The definition of reasonable time should be based on past experience. In other words, reasonable time should be the time it usually takes for this transaction to take place—from the date the deposit is mailed to the depositary until the date the confirmed copy is received by the disbursing unit. Afloat DOs must also allow for the ship's movement schedule and the location where the deposit was mailed. In any event, follow-up action must be initiated within 45 days from the date of mailing.

SUMMARY

Following the proper procedures of accountability cannot be overemphasized. The requirements for proper appointment and monitoring of all positions involved in the handling of funds and accountable instruments must be followed at all times. Detailed procedures have been established to allow for the maximum protection of the individuals in these positions and the Navy.

This chapter is just an overview of the most often encountered positions and some of the associated duties and responsibilities. After studying the information in this chapter, you should be aware of and appreciate the complexity of the principle of financial accountability and how accountability is mandatory and intrinsic to every disbursing operation. For more information regarding financial accountability, see the DODFMR, Volume 5.

